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THE POLITICAL SITUATION FROM A FINANCIAL STAND-POINT.

To the People of New York:

Twenty years ago, when the debt of the United States was only \$1.91 per capita, the Government borrowed with some difficulty \$1,500,000 at 12 per cent. interest. Last year, though the debt of the United States was \$40.42 per capita, in a single day \$194,000,000 was offered to the Government at 4 per cent., when it needed and accepted only \$121,000,000. Under the latest Democratic Administration the public debt was more than doubled during four years of peace, and United States 6 per cents sold at 96 in December, 1860. Within the last four years the public debt has been reduced \$183,845,162, or nearly six times the entire debt in 1856, and United States 4 per cent. bonds have sold at 110 $\frac{1}{2}$. Yet, notwithstanding this marvelous change for the better, some partisans insist that "a change" is necessary, and that another Democratic Administration should now be intrusted with power.

A transfer of power from the party which has so completely restored the public credit to the party by which it was left so completely wrecked would naturally cause serious alarm. The public credit has become so linked with all financial, commercial, and industrial interests that it can not be impaired or seriously threatened without the gravest consequences. The time has long passed—if, indeed, it ever existed—when only a few wealthy men would have suffered from a blow at the public credit. The "bloated bondholder" has become the average American voter. A great number of persons are now affected directly, and a much greater number indirectly, but personally, by every rise or fall in the value of Government securities, while any considerable change would affect every

branch of industry and trade, and nearly every lender or borrower, laborer or employer, in the whole land.

Checks have just been sent to 58,000 persons for quarterly interest on registered 4 per cents alone. The coupon bonds are still more widely distributed, so that at least 200,000 persons are probably affected directly as holders of bonds. But the national banks hold in Government bonds over \$400,000,000, or nearly nine tenths of the capital represented by their shares, which are owned by 208,000 stockholders, and, of these, 105,000 own not more than ten shares each, and 182,000, or nearly nine tenths, own not more than fifty shares each. The State banks have about \$7,739,000 invested in the same way, and these probably represent at least 50,000 stockholders. The loan and trust companies, representing a large but unknown number of owners, have about \$18,000,000 invested in United States bonds, or 85 per cent. of their entire capital. The life-insurance companies have about \$42,000,000 invested in Government bonds, and they represent the savings of nearly 600,000 policy-holders. The fire and marine and casualty insurance companies represent a still larger but unknown number of policy-holders, and those doing business in New York alone have over \$68,000,000 invested in United States bonds, out of about \$165,000,000 of assets in this country. The savings banks represent 2,268,707 depositors, and hold \$156,415,159 in United States bonds. In all, not less than 4,000,000 persons are thus interested, either personally or through corporations, as owners of bonds, and would be directly affected by a decline in the public credit.

The disastrous effects of a serious decline would be far more extensive. By the corporations mentioned about \$2,000,000,000 are now loaned for the support of various branches of trade and industry, viz., by national banks, \$1,000,000,000; by State banks, \$200,000,000; by savings banks, \$420,000,000; by loan and trust companies, \$65,000,000; by life-insurance companies, \$200,000,000; and by fire and marine insurance companies doing business in New York, \$30,000,000. Shrinkage of public credit would involve a shrinkage of the assets of these corporations, and a corresponding, and possibly sudden and sweeping, contraction of their loans. To merchants in their stores, to manufacturers in their factories, to workmen in their shops and mills and mines, the consequences would be not less disastrous than to the reluctant capitalists or lenders. Never yet has this country seen a financial revulsion as terrible

and as far-reaching in its consequences as would now result from a collapse of that splendid public credit which wise legislation and faithful administration have for twelve years been building up and fortifying.

There is reasonable reluctance to believe that any party would deliberately bring such a calamity upon the country. If the consequences were not overlooked or misunderstood, no party would. The danger is not that this thing will be deliberately done. When a captain wrecks his ship by want of knowledge, defective charts, inattention, or bad judgment, he may have had no intention to peril his own life and the lives of all on board. But the Democratic party has been exposing the public credit to peril year after year, ever since the war, until conservative men, who do not question its honesty of purpose, have become profoundly apprehensive that its success would cause great financial, commercial, and industrial disasters. At times its charts have been bad; it has insisted upon most pernicious theories. At times its chosen leaders have erred through incompetence or lack of practical knowledge. At times many of its representatives have seemed ready to expose the public credit and the business of the country to the gravest dangers for the sake of temporary success in some election. Since 1860 the course of that party has never tended to inspire confidence in its capacity or fitness for financial management, as its friends have perceived with keen regret.

Who can tell what the Democratic party, if in power, would do with regard to payment of the public debt or the interest thereon? Not a few members of that party insist that the principal or interest, or both, shall be paid only in paper. Bills to that end are now pending, and have been pushed at every session of Congress for years. By many, perhaps, such bills may be proposed in ignorance of the fact that an increased issue of legal-tender notes would cause a decline in their value. But the legal tender was worth less than 70 cents on the dollar in 1868, when nearly every prominent Democrat was carried away with the idea that a proposal to pay the five-twenty bonds in paper, and to tax all bonds, would render the party irresistible in the approaching election. These proposals the party then embodied in its national platform. General Hancock, who narrowly missed the Presidential nomination on that declaration of principles and purposes, gave it his unqualified approval. It was zealously supported by every one of the prominent leaders who are

now asking public support for that party on the ground that it promises this year "a strict maintenance of the public faith." But can it be supposed that the party intended to violate the public faith in 1868? It must be presumed that the Democratic party and General Hancock thought that the payment of bonds in greenbacks would be both honest and wise. Nothing has been done or said by the Democratic party or by General Hancock himself to show that the course deemed honest and wise in 1868 is now deemed unwise or dishonest. Not a thing has been done or said to show that the Democratic party or General Hancock would not consider such payment in 1881 "a strict maintenance of the public faith."

The danger is near and real. Within one year, bonds amounting to \$697,350,600 become payable or redeemable. Every effort to meet them by refunding has been defeated by the Democratic majority in Congress, in spite of earnest appeals by the Secretary of the Treasury. Bills for the payment of all the bonds which mature or become redeemable next year by a new issue of greenbacks, are now pending in Congress, and are zealously supported by many Democrats. In Indiana, Ohio, and other Western States, the Democratic party is striving to convince voters that it is more heartily devoted to this plan of payment than the Greenback party itself. If it should succeed at all in the coming election, it can succeed only by the votes of men who are led to expect the passage of such a measure as the price of their support. Nor has General Hancock uttered a word, since his approval of the platform of 1868, to indicate that he would hesitate now to carry out the financial measures to which he then committed himself. On the contrary, within the past month the Democratic party has been rejoicing at its supposed success in electing a Greenback candidate in Maine, whose national platform declares, as he does, that "the bonds of the United States should not be refunded, but paid as rapidly as possible," by means of an increased issue of legal-tender notes. And this candidate, standing upon this platform, General Hancock had recently congratulated upon his supposed election as a "glorious result."

Perhaps General Hancock does not understand that an issue of \$700,000,000 more legal tenders, to retire the bonds which become redeemable next year, would be a double violation of repeated pledges of the United States. The Government has pledged itself

not to issue more legal tenders, and to pay its bonds in gold. Perhaps he does not understand that such a new issue, for such a purpose, would cause the United States notes to fall greatly in value, so that public creditors would be forced to receive for their bonds far less than the value promised. But, if he does not, what safety can there be in trusting the executive power to him? It seems hard to believe that a great party can consider such a measure either honest or wise. But the same men who believed that such a step would be neither dishonest nor fatal in 1868 may, as easily, and with as much sincerity, believe that it would not be dishonest nor fatal now. When the Democratic party, in spite of all Republican efforts, defeated every plan of refunding last winter, in what other way did it intend to deal with the bonds that become redeemable next year? In Congress, as in Maine, Democrats who knew that payment of bonds with greenbacks would be ruinous and dishonorable, for the sake of party success, joined with Democrats and Greenback men who propose that course. Who can say that the same men would not sacrifice conviction to partisan expediency after the election? Who can say that this alliance would not destroy the public credit, stop specie payments, and plunge the country into incalculable disasters by a new issue of \$700,000,000 in legal-tender notes?

Who can tell whether bills now pending, which provide for taxation of United States bonds, would be passed if the Democratic party should gain the power? True, that party pledges a "strict maintenance of the public faith," but did it mean to violate the public faith in 1868? Its national platform then proposed "equal taxation of every species of property according to its real value, including Government bonds." If the Democratic party did not then think this an act of bad faith—and we must assume that it did not—there is no greater reason to think it an act of bad faith now. General Hancock gave his unreserved approval to the declarations of 1868. One year later, in Ohio, his party proposed in its platform "to pay no interest on United States bonds until they are taxed," and declared that "if the claim for payment in gold should be persisted in, it would force upon the people the question of repudiation." Similar purposes were avowed by that party in 1870, in Ohio and Indiana, and they have never been retracted. If General Hancock now thinks that taxation of bonds would not be a "strict maintenance of public faith," he has

changed his mind since 1868, and of that change he has given no evidence.

Who can tell how soon, if the Democratic party should succeed, the Resumption Act would be repealed and the paper currency inflated? Solemn pledges of public faith stand in the way. But the Democratic party has at no time regarded these as binding pledges, and it is not more likely to so regard them now than it was one year ago. In February, 1879, when specie payments had continued nearly two months, one hundred and six Democrats in the House voted for a repeal of the Resumption Act, and only twenty-seven against it. The spirit of the party was even more decided then than it was in November, 1877, eleven months before resumption, when one hundred and four Democrats voted for the repeal of the act and twenty-eight against it. In the fall elections of 1878 the Democratic party throughout the West and South and in Pennsylvania denounced resumption as a great wrong and an utter impossibility, less than three months before specie payments began. In 1879, wherever elections were held in those States, that party insisted that resumption must fail and would work terrible injustice. Only one year ago it supported for Governor, with the largest vote ever given to any Democratic candidate at a State election in Ohio, the most zealous and extreme advocate of inflation in that State. It is now supporting for Governor the most extreme inflationist in its ranks in Indiana. These and other leaders of like character have made no pretense of a change of purpose. Nor is it possible that a great party, composed of millions of voters, has suddenly changed honest beliefs and fixed principles, to which it has adhered through years of controversy. It is true that the Democratic party promises "honest money," but that party will hardly say that it desired dishonest money during all the years in which it opposed resumption and demanded inflation. It must be inferred that the phrase "honest money" does not mean to Democrats what it means to Republicans. Nearly four fifths of the Democratic party, according to its representation in Congress, earnestly oppose resumption, even since specie payments began, because it has been trained to believe that resumption is mischievous, and honestly desires inflation, because it has been taught that "more money" is needed "to emancipate the people from the tyranny of money kings." These notions have not been eradicated by a sudden change in the tactics of a few party managers. Who can feel

assured that they will not shape legislation as soon as the Democratic party has control?

Who can tell how soon the best banking system this country has yet seen would be destroyed if the Democratic party should succeed? There is scarcely any other purpose in which that party has been so nearly united as in the purpose to get rid of the national banks. The very name "national" is offensive to those who cling to State-rights traditions. The supposed influence of the national banks is thought to be used with great effect against the Democratic party. The ancient antagonism of the party to a national bank and the chronic antipathy of the rural population to the money-lenders have been continually inflamed by artful appeals. The South has given to the system so little favor that less than nine per cent. of the national banks and little more than five per cent. of their deposits are to be found in that section. In nearly every Western State, and even in Maine and Vermont, the Democratic party has formally demanded abolition of the national banking system. As early as January, 1870, a resolution instructing a committee to report a bill to withdraw all national-bank circulation, and to issue greenbacks in its stead, received fifty-three Democratic votes in the House, with only one Democratic vote against it. From that day to this there has been no evidence that the purpose of the party in this respect has changed, and bills to carry that purpose into effect are now pending, with very strong support. If the Democratic party should ever secure the Executive, a most strenuous effort to break up the national banking system would undoubtedly be made. Local influences would powerfully aid the movement. Democratic politicians in Southern and Western States are eager to get into their own hands the power to create, as of old, a host of banking and note-issuing corporations.

The commercial world knows full well what countless evils were caused by the old system of irresponsible and heterogeneous State banks. It is well aware that the safety, uniformity, and peculiar local elasticity of our present banking system have contributed most powerfully to the commerce and the development of resources. Conservative men would therefore regard an overturning of the system with great apprehension, even if the transition to any other could be effected without immediate shock or disturbance, or harm to the public credit. But it is not possible to effect the change without a shock. Bonds amounting to \$400,000,000, now held by

the banks, could not be paid and retired without inflation, dishonor, and disaster. They could not be thrown upon the market without great prostration of the public credit. Yet the banks, if deprived of the advantages of circulation, could not afford to keep their capital locked up in bonds. Under a Democratic Administration, too, with a profound uncertainty as to the speedy taxation of bonds, or their payment in depreciated notes, it would be extremely difficult to find new purchasers for bonds. In the change of system a great contraction of loans would be inevitable. Many banks would wind up their affairs and go out of existence. Many others would be forced to cut down their loans in order to make the change without ruinous delay. It seems almost incredible that any one should propose to throw into disorder loans amounting to \$995,000,000, for no better reason than to tear down a banking system which has served the country so admirably. Nor is it possible to estimate the loss and suffering of individuals and the stagnation of industrial enterprises which such a change would involve.

Who can tell how much the Democratic party, if it had the power, would impair the public credit by cutting down the revenue? That party has manifested, alike by its past acts and by its open declarations, a fixed purpose to change the revenue system, and not for the better. Already it has thrown many obstacles in the way of collection of the tax on whisky, until the people in some Southern districts have come to expect a total abolition of the tax as a result of the election of General Hancock. Already it has taught producers of tobacco the false idea that the tax upon the manufactured products falls upon the grower and not upon the consumer, so that a sectional agitation for the repeal of that tax is in progress.

We have entered upon a period of hopeful activity in commerce and industry. Trade multiplies; manufactures start forward with vigor; labor rejoices in fair wages and full employment. Yet we have but just emerged from a long period of disaster, in which the resources of all were greatly strained and the reserves of capital greatly exhausted. A year or two of rebuilding, restoration, and large outlays for the adjustment of business to new needs, became necessary after a prolonged prostration. There has not been time, as yet, for business and industry in their various branches to get fully into condition for profitable work; much less has there been time for the accumulation of new reserves. Business interests are

not prepared to bear another period of strain or disaster. They have just begun to thrive. A reaction now, like a relapse from fever, would be more dangerous than the original disorder. In 1839, after one year of partial recovery from the comparatively brief prostration of 1837, the country suffered such a relapse, and the terrible consequences will not be forgotten. The business of this country is not in the condition to endure the enormous strain, the grave anxiety, and the prolonged uncertainty of a complete change of financial policy.

The fear of disastrous changes would prostrate the public credit almost as much as those changes themselves. Even though none of the unwise steps contemplated should finally be taken by the Democratic party, still a large proportion of the people would fear them, and would act upon that fear. Creditors and investors abroad would fear them, and would act without delay. Men would make haste to get out of danger before the anticipated blow should fall, and the panic to escape from supposed peril often results in greater loss of life than the dreaded catastrophe. We have to face the fact that almost every great financial interest would be threatened by Democratic success. If the blow should never come, the mere threat might do irreparable and incalculable injury. Bondholders by the thousand, distrusting the party by which payment of bonds in depreciated paper has been urged for years, might make haste to realize. But these sales would prostrate credit scarcely less than the dishonest measure feared. Banks, savings banks, and insurance companies, apprehending that their assets might melt away beyond the limit of safety by a fall in bonds, would make haste to sell. But the selling would soon depress the price so that surplus reserves would vanish. Bankruptcy for a few institutions might involve bankruptcy for many, and that would mean loss of their savings for millions of people.

It can not be expected that the national banks would wait for the actual spoliation which Democrats have threatened. Not a few would haste to wind up as national banks, and to get their bonds safely sold. Loans would be hastily curtailed, by some in excessive caution, and by others of necessity. Who can fail to see that the mere apprehension of injustice to this vast interest would disorder trade and industry in every department? Long before a Democratic Administration could begin to do good or evil, the evil effects of a change would be felt.

Public credit means what the people think about the honesty and solvency of their Government. What the Government really can do and will do has little effect, if the people have a fixed belief about the matter. The fact can not be denied that in the financial and commercial world the Democratic party is profoundly distrusted. It has done nothing for years to remove distrust, but very much to increase it. The fact is noted that the Democratic party is largely controlled by the South. But the South has but a small part in the investments, the commerce, or the industries, which a change of policy would affect. It is essentially agricultural. It employs 6·5 per cent. of the manufacturing capital of the country, only 5·3 per cent. of the money loaned by banks, only 7 per cent. of the tonnage used in domestic commerce, and only 7·4 per cent. of the freight-cars used on railroads. Of the holders of United States bonds, probably much less than one tenth are in the Southern States. None of the loan and trust companies are located there. Out of 208,000 shareholders in national banks, less than 20,000 are in all the States formerly slaveholding, and only 64,353 depositors in savings banks out of 2,204,000 in the whole country, or less than 3 per cent. In short, the South has but an insignificant share in the immense and complicated system of commerce, manufactures, investments, savings, and vast credits, which rests upon the public credit as a foundation. This is not suggested as a reproach, but it prompts the question whether any business firm would turn over the management and control of its affairs to the partner having the smallest interest in the concern? If the United States intrusts the defense and maintenance of the public credit to that section which has least share or interest in it, or in the diversified industries and commerce which depend upon it, there will be real reason for apprehension.

We can not forget the origin of the public debt. The people of the once rebellious States do not forget that the debt was created in suppressing the rebellion. Even in the payment of debts contracted by themselves, and for their own advantage, Southern communities have not been conspicuous for their fidelity. Can it be expected that they will be more eager and scrupulous to pay, according to the letter and in any emergency, obligations created in putting down a rebellion which they made and sustained? The men who expect such a thing will not be thought sagacious by the civilized world. Nay, more; a transfer of all care of the public

credit to a party politically controlled by and dependent upon the South will seem to all the world little less than a public proclamation that the people of the United States are weary of protecting its credit and paying its debts.

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